



2021 BEAUTY + PERSONAL CARE TRENDS



The world of beauty is ever evolving as it is a continuous and fluid expression of societal norms and aesthetic ideals. 2020, a year characterized by disruption and change, has led to widespread, systemic changes in the beauty and personal care industry. Diversity and inclusion have risen to a business-critical scale, forcing businesses to rethink traditional business models and approaches. In the wake of the global COVID-19 pandemic, trends in natural beauty, at-home beauty, and eCommerce have rapidly accelerated while other trends, like sustainability has taken on new dimensions.

The sum of these shifting trends have forced businesses to rethink how they strategize and operate. Meeting these trends requires beauty and personal care leaders to incorporate a deep understanding of their consumer into decision-making.

TREND #1:

Adapting to Evolving Consumer Dynamics and Preferences

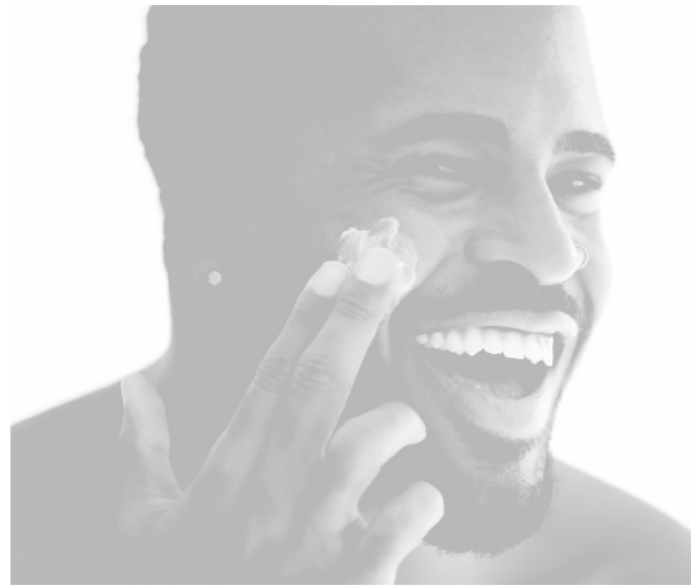
Beauty and personal care have been a long-standing and sizeable portion of consumers' budgets for quite some time. Even during times of economic hardship, the beauty industry has proven to be relatively resilient. In 2020, this resilience has been heavily tested, as consumers have drifted away from traditional make-up and cosmetics in favor of products oriented towards self-care.

Prioritizing 'natural' in the makeup aesthetic is not a new trend, but in 2020, it became a norm. With the onset of stay-at-home orders and a digitized workplace, many people began to prioritize comfort in their personal choices; these choices included in meals, clothes, and even personal care. More people began to see themselves without makeup as their natural selves, and therefore invest in beauty products that enhance, not change, that appearance.

Along with the natural skincare wave, consumers are seeing increasingly gender-neutral products in the market. Personal care and makeup are no longer exclusive to women, as beauty brands realized the potential to captivate the market of all consumers, not limited to a specific gender category. Along the same lines as natural aesthetics, gender neutral marketing and production allows for a more fluid understanding and redefinition of what beauty products should be. This follows the global reconsideration of the concept of gender and deviance away from 'male' and 'female' segmentation.

Makeup and fragrance sales were down by 40 percent compared with skin care, which was only down 20 percent.

SOURCE



TREND #2:

Taking Diversity and Inclusion a Step Further

In light of recent social movements in the U.S., inclusivity and diversity have become a top priority in personal care, as consumers urge companies to cater their products and business to all people. This push spans the entire spectrum of personal care products including skincare, haircare, and beauty, as consumers of different ethnicities, genders, races, and [abilities](#) have differing needs from each category.

Skincare personalization is emerging as a trend, as eight out of ten surveyed consumers say they have purchased personalized skin care, while [35%](#) report spending, on average, up to \$100 on personalized options. When online, 52% have taken an online skin care quiz to help identify personalized product options. Depending on the product, 77% of consumers say they trust these kinds of online quizzes to suggest products that suit their needs. Nearly 74% say they sometimes make a purchase after taking a quiz, with only 3% saying they never buy the recommended products.

As skincare customization remains on a steady growth path, it paves the way for other sectors in the beauty industry. Haircare, makeup, and personal care are expected to follow. Mass production of personalized and custom products has the potential to lead to significant waste so businesses will need to balance meeting this seemingly permanent trend with sustainable, eco-friendly practices. Understanding and adapting to the complexity of this business model will require new supply chain and manufacturing channels and capabilities.



Addressing diversity and inclusion externally in branding, marketing, and communications has also risen dramatically as a consumer expectation. Consumers are using their conscience and ethical position to inform their purchasing decisions, requiring that brands demonstrate their commitment to similar ideals. Demonstrating diversity and inclusion authentically goes beyond a marketing campaign and requires a deep commitment across the business.

Since the pandemic, Ulta's virtual try-on beauty tool, GLAM lab has seen engagement increase seven-fold, and more than 50 million shades of foundation have been swatched digitally with the app post-Covid.

SOURCE

TREND #3:

Evolving Digital in Beauty and Personal Care

As digital transformation accelerates and traditionally brick and mortar businesses go online, businesses are getting creative to stand out. Specifically, in retail and consumer products, artificial intelligence and virtual reality are taking the lead. Consumers are excited by the new features and capabilities being adopted by beauty and personal care companies, as in-store shopping for these products has gone down significantly.

Although there will be a return to in-store shopping eventually, it is likely that many will settle into a new norm with shopping habits and utilize these features even post-pandemic. With shoppers spending less time in store, beauty and personal care brands must evolve and innovate eCommerce capabilities to captivate and delight their target audiences. While perusing the store aisles may be declining, **'browsing' and 'online window shopping'** have risen to replace this key part of the buying experience. This signals to brands a need to finetune and optimize their web channels and social media presence.

Beyond the buying experience, consumers are also looking for innovative capabilities in the actual products and tools they're purchasing. Household tools and devices in hair removal, cleansing, anti-aging, and skincare are some of the hottest on the market.

TREND #4:

Creating End-To-End Green Beauty

The emphasis on 'green' business practices has been growing in recent years, and only accelerated with the outbreak of COVID-19, as many consumers gained a newfound environmental awareness. There are 3 main segments of the journey to sustainable packaging, including launching, gaining traction, and making an impact.

The beauty industry contributes **120 billion units** of packaging a year, according to some estimates, and the shipping industry, an integral part of the process, contributes more than 1 billion tons of CO2 a year. Countries across the globe are continuing to regulate the use of single-use plastics as a result of both increased consumer demand and a better understanding of the environmental impacts of single-use plastics. As this trend spreads, there are clearly profound potential impacts to the beauty and personal care industry.

Reading the headwinds, some businesses have already begun the process for phasing out plastic usage. Unilever has pledged to cut down its plastic usage and specifically halve its use of "virgin plastic" by **2025** and L'Oreal invested in biotech startup Carbios, a business developing plastic recycling technologies, and stated it will move to paper-based cosmetic tubes in 2020. HiBar, a shampoo and conditioner bar company, has gained popularity with its minimal packaging.

Outside of packaging, companies have also been pushed to modify formulas to appeal to consumer desire of ecofriendly, sustainable ingredients. Some of these natural ingredients include **aloe, quinoa, shea butter, seaweed, and matcha**. Not only are these ingredients becoming more prevalent in beauty and personal care products, but the long-listed labels are giving way to shortened and healthy-sounding product descriptions. Aveda has pledged to be **100% vegan by 2022**, and has already become a cruelty free brand. **Milk makeup** is also entirely vegan, as well as E.L.F and soon to be Hourglass cosmetics.

The global market value for natural and organic cosmetics and personal care is expected to hit **\$54.5 billion by 2027**.

SOURCE



TREND #5:

M&A Opportunities After a Year of Disruption

Before 2020, the beauty and personal care industry was experiencing a surge of robust deal-making activity as larger, established brands sought to capitalize on consumer trends through targeted acquisitions of digitally-savvy, environmentally friendly, and innovative young brands.

While the global COVID-19 pandemic froze M&A activity across many sectors, analysts anticipate an increase as we look into the new year with restrained optimism towards the economy and potential opportunities. While the beauty and personal care industry have been relatively resilient in the past, 2020 has resulted in significant negative impacts to revenue. As such, large brands are looking to create new revenue sources that meet evolving consumer demands, particularly as the pandemic has also caused shifts in consumer behavior.

Smaller companies, some strapped for cash as a result of the current environment, will be attractive targets in the new year – so long as they're able to demonstrate long-term resilience following short-term losses related to COVID-19. Beyond that, brands that have been relatively financially stable in navigating the pandemic will be exceptionally attractive to acquirers. These brands, whether they're meeting the growing consumer trend towards self-care or just have a particularly loyal or passionate consumer base, represent a proven resilience that larger brands hope to amplify and optimize.

For all deals ranging from \$150 million to \$5 billion in enterprise value, July saw 171 deals close totaling \$88 billion, compared with only 70 deals totaling \$28 billion in April.

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